



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

BILL ANALYSIS

BILL NUMBER: House Bill 5256 (as introduced)
TOPIC: Medical Malpractice Insurance Cancellation Notice
SPONSOR: Representative John Proos
CO-SPONSORS: Representatives Shaffer, Jones, Acciavatti, Mortimer, Gaffney, Hansen, Booher, Caswell, Robertson, Condino, Taub, Vander Veen, Ball, Pavlov, Caul, Green, Wojno, Moore, Meyer, Pearce, Pastor, Stewart, Walker, Stahl, Tobocman, Mayes, Farrah, Brandenburg, Newell, Sheen, Phillips, Adamini, Brown, Leland, Angerer, Clemente, and Bieda
COMMITTEE: Committee on Insurance
Analysis Done: November 1, 2005

POSITION

The Office of Financial and Insurance Services is neutral regarding this legislation.

PROBLEM/BACKGROUND

Currently, the Code only requires insurers to give a 10 day written notice of cancellation to their insureds for casualty insurance contracts, including medical malpractice insurance. Since the policy may be cancelled for any reason at any time, the cancellation may come as a surprise to medical providers. The 10 day time frame does not leave the provider a great deal of time to shop for new coverage and obtain the best coverage at the best price. Since rates in this industry are essentially driven by market forces, it is necessary that purchasers be given ample opportunity to make these markets work for them.

DESCRIPTION OF BILL

The proposed legislation requires insurance carriers that sell malpractice insurance policies in Michigan, to give a 90 day written notice of cancellation with or without any refund that may be due.

SUMMARY OF ARGUMENTS

Pro

A 90 day cancellation notice would give medical providers ample opportunity to shop for medical malpractice insurance in the marketplace. Once they know their policy is going to be cancelled they can put whatever resources they need to focus on purchasing a new policy at the best price. If they are unable to find coverage within the current 10 day period, they may be forced to close their practice or facility until they can find coverage. The alternative would be to continue to practice without insurance, risking their business and livelihood. Although medical malpractice insurance is available in Michigan, insureds should be given more time to seek the best coverage they can afford.

Con

Insurance carriers may argue that 90 days cancellation notice is too long a time to wait to cancel the policy once a determination has been made to take that action. Since the company needs to cancel the policy for a specific reason, if it is not in the renewal cycle, they may incur additional loss expenses before they are able to get off the risk in a timely manner.

FISCAL/ECONOMIC IMPACT

OFIS has identified the following revenue or budgetary implications in the bill as follows:

(a) To the Office of Financial and Insurance Services: None

Budgetary:

Revenue:

Comments:

(b) To the Department of Labor and Economic Growth: None

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None

Comments:

OTHER STATE DEPARTMENTS

None known.

ANY OTHER PERTINENT INFORMATION

Representative Proos' office indicated they have been working with the Michigan State Medical Society on this legislation and that group is supportive.

ADMINISTRATIVE RULES IMPACT

OFIS has general rulemaking authority under the Insurance Code of 1956.



Linda A. Watters
Commissioner

11-3-05

Date